

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF BIG RIVERS ) CASE NO. 2012-00262  
ELECTRIC CORPORATION FOR THE TWO-YEAR )  
BILLING PERIOD ENDING JULY 31, 2011 )

O R D E R

On June 25, 2008, the Commission approved Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge application and established a surcharge mechanism.<sup>1</sup> The Commission also approved a mechanism to pass through the environmental surcharge to Big Rivers' three member distribution cooperatives ("Member Cooperatives").<sup>2</sup> Pursuant to KRS 278.183(3), at six-month intervals, the

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<sup>1</sup> Big Rivers was authorized to implement an environmental surcharge in Case No. 2007-00460, The Application of Big Rivers Electric Corporation for Approval of an Environmental Compliance Plan and Environmental Surcharge Tariff (Ky. PSC Jun. 25, 2008).

<sup>2</sup> The three Member Cooperatives were authorized to implement a pass-through mechanism in Case No. 2007-00470, Application of Meade County Rural Electric Cooperative Corporation for Approval of Retail Tariff Riders, Revised Tariffs and New Tariff, and for Approval of Amendment of Wholesale Agreement (Ky. PSC, Dec. 12, 2008); Case No. 2008-00009, Application of Kenergy Corp. for Approval of Retail Tariff Riders and Revised Tariffs, Approval of Smelter Agreements, and Approval of Amendment to Wholesale Agreement (Ky. PSC, Dec. 12, 2008); and Case No. 2008-00010, The Application of Jackson Purchase Energy Corporation for Approval of Retail Tariff Riders, Revised Tariffs, New Tariff, and Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008).

Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). At two year intervals, the Commission must review and evaluate the past operations of the environmental surcharge. After hearing, the Commission must disallow improper expenses and, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility. Therefore, the Commission hereby initiates a two-year review of Big Rivers' environmental surcharge as billed from August 1, 2009 through July 31, 2011 to the Member Cooperatives. The billing period under review reflects costs incurred by Big Rivers from June 1, 2009 through May 31, 2011. The Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives as billed from September 1, 2009 through August 31, 2011 to their retail member customers, and August 1, 2009 to July 31, 2011 for large commercial and industrial customers with dedicated delivery points.<sup>3</sup>

To facilitate this review, a procedural schedule is set forth in Appendix A, attached hereto and incorporated herein. In accordance with that schedule, Big Rivers

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<sup>3</sup> The Commission's Orders in Case Nos. 2007-00470, 2008-00009, and 2008-00010 allow the Member Cooperatives to pass through the environmental surcharge to all their retail customers, except large commercial and industrial customers with dedicated delivery points, on a one-month lag. Therefore, the costs incurred from June 2009 through May 2011 are billed to the Member Cooperatives in the months of August 2009 through July 2011, with these same costs passed through to the members' retail customers on the bills for September 2009 through August 2011. Those customers with dedicated delivery points, which include the two aluminum smelters served by Kenergy Corp., are billed without the one-month lag necessary for the retail customers, therefore, their billing period covers the same time frame as Big Rivers.

is to file prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the time period under review. Also in accordance with that schedule, the three Member Cooperatives, or Big Rivers on their behalf, is to file prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the time periods under review. In addition, Big Rivers is to file its response to the information requested in Appendix B, attached hereto and incorporated herein. Since the period under review in this proceeding may have resulted in over- or under-recoveries, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

IT IS HEREBY ORDERED that:

1. Big Rivers and each of its three Member Cooperatives listed in footnote 2 shall be made parties to this case.

2. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

3. Big Rivers shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism and the three Member Cooperatives, or Big Rivers on their behalf, shall file by that date their prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the period under review.

4. Any party filing testimony shall file an original and ten copies.

5. a. The information requested herein is due on or before the date specified in Appendix A. Responses to requests for information shall be appropriately

bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and ten copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

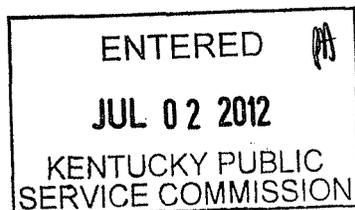
6. Within seven days of the Commission's granting intervention to a party, Big Rivers shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

7. Big Rivers' monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

8. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

  
Executive Director

Case No. 2012-00262

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00262 DATED **JUL 02 2012**

Big Rivers shall file its prepared direct testimony and responses to the information requested in Appendix B no later than..... 07/18/12

An informal technical conference is to begin at 1:30 p.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the discussion of issues..... 08/07/12

All additional requests for information to Big Rivers shall be filed no later than ..... 08/22/12

Big Rivers shall file responses to additional requests for information no later than..... 09/05/12

Intervenor testimony, if any, in verified prepared form shall be filed no later than..... 09/19/12

All requests for information to Intervenors shall be filed no later than ..... 10/03/12

Intervenors shall file responses to requests for information no later than ..... 10/17/12

## APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00262 DATED JUL 02 2012

### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO BIG RIVERS ELECTRIC CORPORATION

1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount Big Rivers believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

2. For each of the three Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the two-year review. Include the two months subsequent to the billing period included in the review periods. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

3. Refer to Form 2.5, Operating and Maintenance Expenses, for the last six expense months covered by the billing period under review. For each of the expense

line items listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

4. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate environmental surcharge amounts, found just and reasonable, into the existing base rates of the utility.

a. Does Big Rivers believe any surcharge amounts need to be incorporated into its base rates in conjunction with this two-year review?

b. If yes to part (a), provide the surcharge amount that Big Rivers believes should be incorporated into its existing base rates. Explain how the surcharge amount should be incorporated into the base rates. Include all supporting calculations, work papers, and assumptions, as well as, any analysis that Big Rivers believes supports its position.

c. Provide the Base Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (b). Include all supporting calculations, work papers, and assumptions.

d. Does Big Rivers believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating environmental surcharge amounts into Big Rivers' existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

Burns E Mercer  
President & CEO  
Meade County R.E.C.C.  
P. O. Box 489  
Brandenburg, KY 40108-0489

Sanford Novick  
President & CEO  
Kenergy Corp.  
P. O. Box 18  
Henderson, KY 42419

G. Kelly Nuckols  
President & CEO  
Jackson Purchase Energy Corporation  
2900 Irvin Cobb Drive  
P. O. Box 4030  
Paducah, KY 42002-4030

Albert Yockey  
VP of of Governmental Relations  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419-0024